Passenger security screening enhancements – case studies on financial impacts at six regional airports

November-December 2019
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Chapter 1: Introduction

1.1 Regional Aviation

Regional aviation plays a key role in economic and social connectivity for regional Australia. Aviation supports regional communities by providing essential access to health care, education, legal and financial services.

It is vital in supporting economic growth in these communities by connecting regionally-based businesses to domestic and international markets, and has been a key enabler of growth in mining, agriculture and tourism in many of Australia's regions.

The House of Representatives Standing Committee on Infrastructure, Transport and Cities noted in its inquiry into the role of transport connectivity on stimulating development and economic activity (2016) that transport connectivity is integral to the liveability, economic opportunities and competitiveness of a region. It underpins the role of regional cities and towns as service access hubs and nodes in the national transport network; raising competition in markets to both stimulate and shift economic activity.

The Senate Standing Committee on Rural and Regional Affairs and Transport examined the challenges faced by regional airports and aviation service providers in its report on the operation, regulation and funding of air route service delivery to rural, regional and remote communities. The key issues considered included: the remoteness of rural and regional communities, and the importance of access to key infrastructure and support services; a deregulated and privatised aviation sector, and the effect on participation of airlines in regional markets; the challenges of funding regional airports; and the challenges to economic viability for airlines operating in remote areas, due to economies of scale and market forces.

1.2 Aviation Security

The Australian Government is committed to strengthening Australia's comprehensive and strong aviation security system to ensure safe and secure air travel. The evolving nature of terrorism continues to test and shape Australia's aviation security standards and regulatory settings. The disrupted terrorist plot at Sydney Airport in July 2017 highlighted the innovation and determination of individuals seeking to inflict harm on the travelling public. It also reinforced that aviation remains a high profile and ongoing target for terrorists.

Through the Department of Home Affairs (Home Affairs), the Government continues to review security settings in the context of evolving threats and, if required, adjusts security settings accordingly. In 2018, to keep ahead of the evolving threat environment, the Government announced that major and regional airports will upgrade their security screening technology.

Once implemented, Home Affairs estimates that 99 per cent, or 80.5 million departing passengers, will depart from an airport which undertakes security screening with X-ray advanced technology and body scanners.

Home Affairs applies security settings in the aviation sector based on its assessment of the level of security risk at each airport, and the aircraft it hosts. Home Affairs works to ensure that security requirements are commensurate with risk, particularly in regional areas, where security costs are generally higher. Based on the evolving threat, Home Affairs is amending the security screening threshold from aircraft over 20,000 kg maximum take-off weight (MTOW) to aircraft with seating...
One result of a screening threshold based on aircraft size (weight or seating capacity), is that airports may have some flights which require screening and some flights which do not require screening.

Home Affairs, in consultation with aviation industry stakeholders, is continuing to consider the issues associated with managing the segregation of screened and unscreened passengers. This is a contentious issue for industry stakeholders, with conflicting views on the best regulatory approach, noting different approaches can cause significant variation in the cost implications for different stakeholders. Some stakeholders suggest spreading fixed costs across a broader passenger base would minimise passenger impacts, while other stakeholders argue additional costs for operators of smaller aircraft impact the viability of their operations. Costs associated with managing potential co-mingling of screened and unscreened passengers are also relevant considerations.

Airports must implement security screening in accordance with regulatory requirements. An airport may choose to implement security arrangements beyond the regulatory requirement, such as screening all passengers, even when not required by the regulator. Business decisions like this are a matter for the airport, although stakeholders presented strong and divergent views on the merits of this approach.

The challenge is to maintain the integrity of the entire aviation security network while recognising the differences in risk across international and major domestic aviation operations in comparison to regional and remote aviation. Maintaining a risk-based, proportionate security framework is critical to ensuring public confidence in aviation and to support a viable and sustainable regional aviation industry.

It has been a longstanding policy of successive governments that industry is responsible for the cost of security, including operating costs, although some stakeholders have queried the long term sustainability of this approach. The majority of regional airports required to upgrade screening equipment already conduct security screening and are responsible for managing the associated costs.

The Australian Government has committed $50.1m through the Regional Airport Security Screening Fund to support the purchase of new screening equipment at eligible regional airports.

### 1.3 Case Studies

The case studies presented in this paper examine the costs of security screening in a representative range of regional airports. This examination has been brought about by the Aviation, Air Cargo and International Mail Security Package announced as part of the 2018-19 Budget which includes changes to strengthen passenger screening requirements at a number of regional airports. The focus is on providing an estimate of the cost of passenger screening at regional airports that is as transparent as possible, noting the need to restrict the release of sensitive information regarding aviation security arrangements.

This paper summarises potential costs and provides further context for the operation of case study airports, but does not presuppose the decisions airport owners may make about managing or recovering costs of security screening. The costings presented are based on providing the mandated level of passenger and baggage screening.
The effect of changing passenger screening costs on airfares, service frequency or routes depends on commercial decisions made by aviation businesses. Regional airport operators, usually local government, make decisions about whether and how their operating costs are passed on to airport customers. Direct customers can include airlines, retailers, passengers and other air operators. Airlines determine ticket prices on the basis of a broad range of factors, including passenger screening costs passed on by airports. Some screening cost estimates in the paper are represented on a per passenger basis, but this does not equate to a change in airfare prices.

Airports were selected to cover a range of regional airport locations, community compositions, flight departure profiles and passenger volumes and existing screening requirements. The selected airports are Rockhampton QLD, Wagga Wagga NSW, Geraldton WA, Whyalla SA, Kingscote SA and Longreach QLD.

1.4 Stakeholders

In preparing the case studies, the Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) engaged with key stakeholders, including the case study airports and relevant airlines, to ensure the projected changes to the ongoing costs of security screening are robust.

While stakeholders have been closely involved in preparing the report, they do not necessarily endorse its contents.

Information and estimates to inform the security screening costings were gathered from both the Department of Home Affairs and the six case study airport operators. Data on regional aviation and communities was gathered from the Bureau of Infrastructure, Transport and Regional Economics (BITRE), the Australian Bureau of Statistics (ABS), the Australian Trade and Investment Commission (Austrade) and local government reports.

s. 47C(1)
2.4 Whyalla

2.4.1 Regional profile

Whyalla is located 385 kilometres northwest of Adelaide on the Upper Spencer Gulf. The local economy is focused around the Whyalla steelworks, production of oil, LPG and salt, as well as shipping of steel products and ore. The town’s industrial history and nearby marine environments have also created opportunities for tourism.

Community
- Council land area: 1,072 square kilometres
- Population 2018: 21,766
- Average population growth 2013-2018: -0.8%
- Council revenue 2018: $31.1 million
- Council expenditure 2018: $29.9 million

Economy
- Number of businesses 2018: 674
- Unemployment rate 2016: 12.4%
- Annual tourist visits 2018 (all transport modes): 147,000
- Annual tourist expenditure 2018: $68 million

Aviation
- Airport operator: Whyalla City Council
- Annual outbound RPT passengers 2018: 38,437
- Annual outbound RPT flights 2018: 1,841
- Flight destinations: Adelaide
- Airlines: Qantas Airways, Regional Express Airlines
- Aircraft types commonly serving airport: Saab 340, Dash 8 300
- BITRE airfare spot check July 2018:
  - Whyalla to Adelaide $143 & $149 (231 kilometres)
- Security screening does not currently take place at Whyalla Airport

* BITRE conducted spot checks of all city pair airfares on 5 July 2018. The cheapest outbound airfare on 9 August 2018 was collected for each outbound Whyalla route.
Figure 11: Top 10 Industries by Employment - Whyalla

- Mining
- Manufacturing
- Construction
- Retail trade
- Accommodation and food services
- Transport, postal and warehousing
- Administrative and support services
- Public administration and safety
- Education and training
- Health care and social assistance

Proportion of Employed Persons (%)

Figure 12: Aviation trends - Whyalla Airport

Annual Passengers

2.4.2 Security screening

In September 2019, there were 44 outbound flights scheduled each week from Whyalla Airport. Of these, no flights were over the current 20,000 kg MTOW screening threshold and Whyalla Airport is not currently required to conduct screening. However, 16 of these flights are over the proposed 40 seat screening threshold, so Whyalla will be required to implement passenger and check baggage screening for the first time.

Operating costs for the new security settings represented in Section 2.4.2.1 have been estimated on the basis of advice provided by Whyalla Airport.

Whyalla Airport has advised that Whyalla Council will oversee the provision of aviation security screening and this is expected to be delivered by a contracted provider.

2.4.2.1 Proposed security arrangements

The Australian Government has committed $50.1m through the Regional Airport Security Screening Fund to support the purchase of new screening equipment at eligible regional airports and on this basis the capital costs associated with equipment purchase have not been considered. Whyalla is the only airport represented in these case studies which will be required to implement security screening for the first time. Whyalla Airport has indicated it will conduct substantial terminal works to accommodate the new screening equipment and update the terminal at an estimated cost of $47G.

Like Whyalla will serve a mix of aircraft where only some of the aircraft are required to be screened. The case presented here only examines the new security requirements for passenger and baggage screening mandated under the new regulatory requirements.

Table 2.7 Estimated annual cost of screening under the new arrangements for Whyalla - only flights with more than 40 seat capacity are screened

<table>
<thead>
<tr>
<th>Maintenance of equipment</th>
<th>Number of staff to conduct screening</th>
<th>Daily hours of operation</th>
<th>Staff cost per hour</th>
<th>Total security operating cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>$47G</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On an outbound passenger basis, this equates to a cost per screened passenger of $47G based on Whyalla Airport only screening passengers required to be screened by the regulations. Data on airline passenger numbers is commercially sensitive, so this assumes all flights have the same load factor (i.e. how full a plane is) to estimate the number of screened passengers at about 17,500 per year.

* Maintenance costs are projected figures provided by Whyalla Airport
* Number of required staff at any one time has been advised by Whyalla Airport
* Average daily hours of operation has been estimated based on daily flight and screening timing variances, per seven days, as advised by Whyalla Airport
* Hourly personnel costs for screening staff have been averaged based on daily flight schedule across seven days and associated hourly cost schedule information advised by Whyalla Airport
* Total security operating cost estimate has been provided by Whyalla Airport.
2.4.2.2 Summary

The commencement of security screening at Whyalla Airport is expected to create significant new and ongoing security operating costs for the airport, estimated at $s.47G per annum.

The estimated additional $s.47G cost per screened passenger, if passed on in full by the airport and, subsequently, passed on in full by the relevant airline may represent a $s.47G increase in ticket price (see footnote u in Section 2.4.1).
Chapter 3: Summary

The proposed changes to the aircraft screening threshold and airport categorisation will require a few airports to conduct screening for the first time. Whyalla Airport is the only case study airport where this applies, and the case study estimates presented here describe the significant additional ongoing operating costs for these airports to provide the security services. This can be expected to result in considerable additional pass-on costs from the airport to airline clients. How this pass-on may ultimately impact ticket prices is a business decision for the airlines in consultation with the respective airport.

The airport categorisation changes will remove the requirement for some lower passenger volume airports to conduct screening, including the removal of mandatory screening gives these airports greater flexibility in business planning, including the option to remove security screening costs passed-on to airlines entirely and, potentially, for airlines to deliver ticket price savings to passengers.

These case studies illustrate that the cost of operating passenger and baggage screening at regional airports varies considerably with passenger volumes and flight schedules. The cost of personnel to conduct screening tends to be the largest contributor to screening costs and is closely linked to departure schedules. Flights scheduled evenly across a day require screening to be operated for a longer period, leading to a corresponding increase in expenditure on screening staffing costs.

Airports with higher passenger volumes have greater flexibility in accommodating security screening costs. The amount of screening equipment at regional airports tends to be similar as the low passenger volumes mean equipment is operated below the capacity of a single screening unit. When comparing airports like Whyalla, the equipment costs are similar but the much smaller passenger base at Whyalla results in a significantly higher screening cost per passenger. Some stakeholders raised concerns that the funding available for security equipment upgrades under the Regional Airport Security Screening Fund would not be sufficient at all airports.

As the Productivity Commission notes in its draft report on Economic Regulation of Airports, many regional airports do not have sufficient demand to cover the costs of running the airport, which means the efficient charge for aeronautical services is more than passengers are prepared to pay. Airports and councils in this situation may not pass on the full cost of providing airport services, including passenger screening, to airlines and passengers.

Airlines have raised concerns that additional costs associated with security screening may reduce the financial viability of regional routes, potentially leading to airlines reducing the frequency of flights or exiting routes.

The case study estimates provide an indication of the financial impact of screening changes, but any change to airfares, service frequency or routes will be dependent on business decisions made by councils, airports and airlines.

Chapter 3 of the report on the operation, regulation and funding of air route service delivery to rural, regional and remote communities examines the social and economic importance of regional aviation services, including the effects of high airfares.
Reference List

1 House of Representatives Standing Committee on Infrastructure, Transport and Cities, 2016, *Harnessing Value, Delivering Infrastructure: Inquiry into the role of transport connectivity on stimulating development and economic activity*

2 Senate Standing Committee on Rural and Regional Affairs and Transport, 2019, *Operation, regulation and funding of air route service delivery to rural, regional and remote communities*


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6 Bureau of Infrastructure, Transport and Regional Economics, 2019, *Airport Traffic Data 1985 to 2018*


8 City of Wagga Wagga, 2018, *Annual Report 2017/2018*

9 Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Wagga Wagga (C), New South Wales*


12 Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Greater Geraldton (C), Western Australia*


15 Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Whyalla (C), South Australia*


18 Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Kangaroo Island (DC), South Australia*


20 Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Longreach (R), Queensland*

21 Productivity Commission, 2019, *Economic Regulation of Airports (draft report)
## Aircraft Types Servicing Case Study Airports

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Maximum take-off weight</th>
<th>Seats</th>
<th>Cruise speed</th>
<th>Range</th>
<th>Servicing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Saab 340</strong></td>
<td>13,155 kg</td>
<td>34</td>
<td>505 km/h</td>
<td>1,732 km</td>
<td>Kingscote, Longreach, Wagga Wagga, Whyalla</td>
</tr>
<tr>
<td><strong>Dash 8 300</strong></td>
<td>19,505 kg</td>
<td>50</td>
<td>505 km/h</td>
<td>1,520 km</td>
<td>Kingscote, Wagga Wagga, Whyalla</td>
</tr>
<tr>
<td><strong>Dash 8 400</strong></td>
<td>28,998 kg</td>
<td>74</td>
<td>667 km/h</td>
<td>1,668 km</td>
<td>Longreach, Rockhampton, Wagga Wagga</td>
</tr>
<tr>
<td><strong>Fokker 100</strong></td>
<td>45,810 kg</td>
<td>100</td>
<td>845 km/h</td>
<td>3,170 km</td>
<td>Geraldton, Rockhampton</td>
</tr>
<tr>
<td><strong>Boeing 737-800</strong></td>
<td>78,240 kg</td>
<td>176</td>
<td>834 km/h</td>
<td>5,449 km</td>
<td>Rockhampton</td>
</tr>
<tr>
<td></td>
<td>Annual maintenance</td>
<td>Number of staff</td>
<td>Daily hours of operation</td>
<td>Staff cost per hour</td>
<td>Total operating cost (rounded)</td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------------</td>
<td>-----------------</td>
<td>-------------------------</td>
<td>--------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td></td>
<td>Staff required to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>operate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equipment</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Maintenance</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Screening Costs Old**

- **Equipment**
  - Capital cost (only required new equipment)
  - Annual maintenance
  - Staff required to operate
  - Staff cost per hour

**Screening Costs New**

- **Equipment**
  - Cabin MVX-ray, checked MVX-ray, ETD x2, BDS, WTMD
  - Capital cost (only required new equipment)
  - Annual maintenance
  - Staff required to operate
  - Staff cost per hour

**Comparisons**

- Mandatory screened old vs new total
- Mandatory screened old vs new per pax
- Mandatory screened old vs new % increase
- All pax screened old in new total
- All pax screened old in new per pax
- All pax screened old in new % increase

**Calculations and thinking on airfare comparisons** - very difficult to draw conclusions

Airfares for reference (BITRE 2018)

- Whyalla to Adelaide $143 & $149
  - 231 kilometres

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>1st flight</td>
<td>2nd flight</td>
</tr>
<tr>
<td></td>
<td>$143</td>
<td>$149</td>
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**Security cost proportion of airfare**

- Old mandatory
- New all
- New all
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<th>Screening hours</th>
<th>Rules</th>
<th>Whyalla</th>
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<tr>
<td>1 October 2019</td>
<td></td>
<td>s. 22(1)(a)(ii)</td>
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</table>

**Rules**

- Start = first flight time - 2.75 hours
- Time between flights 2.75 hours
- Time after flights 0.25 hours

See XXX Timetable sheet for details - rounded to the nearest half hour

<table>
<thead>
<tr>
<th>Number of seats</th>
<th>Whyalla</th>
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<tbody>
<tr>
<td>Saab 340</td>
<td>34</td>
</tr>
<tr>
<td>Dash 8 300</td>
<td>50</td>
</tr>
<tr>
<td>Dash 8 400</td>
<td>74</td>
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<tr>
<td>Fokker 100</td>
<td>105</td>
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<tr>
<td>Boeing 737-800</td>
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<table>
<thead>
<tr>
<th>Flights - all screened</th>
<th>Whyalla</th>
</tr>
</thead>
<tbody>
<tr>
<td>s. 22(1)(a)(ii)</td>
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</table>

<table>
<thead>
<tr>
<th>Flights - &gt; 20 MTOW screened</th>
<th>Whyalla</th>
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<tr>
<td>s. 22(1)(a)(ii)</td>
<td>0.0</td>
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<table>
<thead>
<tr>
<th>Flights - &gt; 40 pax screened</th>
<th>Whyalla</th>
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<tr>
<td>s. 22(1)(a)(ii)</td>
<td>6.0</td>
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</table>

<table>
<thead>
<tr>
<th>Seats - all screened</th>
<th>Whyalla</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portion of flights over 20 MTOW</td>
<td>0%</td>
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<tr>
<td>Portion of flights over 40 seats</td>
<td>36%</td>
</tr>
<tr>
<td>Portion of seats over 20 MTOW</td>
<td>0%</td>
</tr>
<tr>
<td>Portion of seats over 40 seats</td>
<td>46%</td>
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Very rough load factor
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<tr>
<td>Council land area</td>
<td>1,072</td>
<td></td>
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<tr>
<td>Population 2018</td>
<td>21,766</td>
<td></td>
</tr>
<tr>
<td>Average population growth 2013-2018</td>
<td>-0.8%</td>
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</tr>
<tr>
<td>Council revenue 2018</td>
<td>$31.1m</td>
<td></td>
</tr>
<tr>
<td>Council expenditure 2018</td>
<td>$29.9m</td>
<td></td>
</tr>
</tbody>
</table>

| Economy                       |                   |                   |
| Number of businesses 2018     | 674               |                   |
| Unemployment rate 2016        | 12.4%             |                   |
| Annual tourist visits 2018 (all transport modes) | 147,000 |                   |
| Annual tourist expenditure 2018 | 68,000,000      |                   |

| Aviation                      |                   |                   |
| Airport operator              | Whyalla City Council |                   |
| Annual outbound RPT passengers 2018 | 38,437           |                   |
| Annual outbound RPT flights 2018 | 1,841            |                   |
| Flight destinations           | Adelaide          |                   |
| Airlines                      | Qantas Airways, Regional Express Airlines | Saab 340, Dash 8 300 |
| Aircraft types commonly serving airport |                     | Whyalla to Adelaide $143 & $149 (311 kilo) |

| Security Costs               |                   |                   |
| Infrastructure airfare spot check September 2019 |                     |                   |

|                                    |                   |                   |
|                                    | See security tab  |                   |
## Flights

### Flights

<table>
<thead>
<tr>
<th>Time</th>
<th>Carrier</th>
<th>Dest.</th>
<th>Aircraft</th>
<th>Screened old</th>
<th>Screened new</th>
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<td>ZL</td>
<td>Dash 8 300</td>
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<td>REX</td>
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<td>Dash 8 300</td>
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</table>

**Total Flights**

| 0 | 7 | 7 | 6 | 2 | 0 | 65 | 1732 | 0 | 0 | 16 | 808 |

### Seats

<table>
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<tr>
<th>Time</th>
<th>Carrier</th>
<th>Dest.</th>
<th>Aircraft</th>
<th>Seats</th>
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<td>10:30</td>
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**Total Seats**

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### Total Time for the Day

|   | 7:15 | 5:45 | 5:45 | 7:05 | 7:05 | 2:45 | 8:55 |

### Average Daily Time

|   | 6:07 |
Hi [Name],

Many thanks for turning this around quickly.

In terms of next steps, we’ll start sharing text with airlines soon, with a view to finalising and providing a copy of the report to the Senate committee (my understanding is the report will become public shortly thereafter).

We will be in touch if there is anything further.

[Name]

---

Hi [Name],

Please see responses below,

Good afternoon [Name]

Thank you for the input you provided regarding the security screening case studies. [Name] has moved to a new position and I’m now taking the case studies forward.

My Department is looking to submit the case studies to the Senate Committee shortly and I would value any comments you may have, particularly regarding the Whyalla section. I’m sorry for the short time frame again, but it would be greatly appreciated if you are able to provide any comments by COB Friday 22 November 2019.

In addition to your comments, I would like to seek clarification to ensure that we present the information that Whyalla Airport considers most representative of your estimated costs:

1. These case studies are only comparing the case where airports screen at the regulatory minimum (but we do note where airports are taking a different approach). Under the new arrangements, could you please confirm if you anticipate screening to the regulatory minimum (only passengers on flights with a nominal capacity over 40 seats) or do you expect to conduct screening on more passengers?

[Name]
2. Could you please confirm you are satisfied with the presentation of the terminal works figure of $47G. I understand there have been ongoing discussions around this figure and I note the Whyalla Airport Upgrade Business Case presents similar figures with a slightly different breakdown.

Any further information please don’t hesitate to contact me.

Regards

Consultation with the other airports is also underway, so the attached draft does not include the detail related to other airports.

I am happy to discuss further.

Kind regards,

Director | Trade and Aviation Market Policy Section
Aviation Industry Policy Branch | Aviation and Airports
Department of Infrastructure, Transport, Cities and Regional Development
GPO Box 594, Canberra ACT 2601
@infrastructure.gov.au | w
www.infrastructure.gov.au

The Department proudly acknowledges the Traditional Owners and Custodians of Australia, and their continuing connections to the land, waters and communities. We pay our respects to them and to their Elders past, present and emerging.

Great Cities. Strong Regions.
Connecting Australians.
Manager - Airport Operations

Whyalla Airport
PO Box 126
Whyalla SA 5600
f. 08 8645 0155

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From: @whyalla.sa.gov.au
Sent: Wednesday, 9 October 2019 11:16 AM
To: @infrastructure.gov.au
Cc: @whyalla.sa.gov.au
Subject: FW: IE78334 - 3-32 - For Urgent Attention of Whyalla Airport Manager - aviation security
[SEC=UNCLASSIFIED]

Hi

Information as requested, any further information please contact me,
1. Estimates of screening costs:
Regards

Manager - Airport Operations
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@infrastructure.gov.au | w

www.infrastructure.gov.au

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OFFICIAL

Manager - Airport Operations

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**Great Cities. Strong Regions. Connecting Australians.**

**OFFICIAL**

**From:** @whyalla.sa.gov.au  
**Sent:** Wednesday, 9 October 2019 11:16 AM  
**To:** @infrastructure.gov.au  
**Cc:** @whyalla.sa.gov.au

**Subject:** FW: IE78334 - 3-32 - For Urgent Attention of Whyalla Airport Manager - aviation security [SEC=UNCLASSIFIED]

Hi,

Information as requested, any further information please contact me,

1. Estimates of screening costs:

---

@infrastructure.gov.au | www.infrastructure.gov.au
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Manager - Airport Operations

Whyalla Airport
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w. whyalla.sa.gov.au

From: s.47F <customer_service@whyalla.sa.gov.au>
Sent: Monday, 7 October 2019 10:33 PM
To: Customer Service <customer_service@whyalla.sa.gov.au>
Subject: IE78334 - 3-32 - For Urgent Attention of Whyalla Airport Manager - aviation security [SEC=UNCLASSIFIED]

Importance: High

FOR URGENT ATTENTION OF THE WHYALLA AIRPORT MANAGER

Dear Sir/Madam,

The Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) is conducting case studies of six regional airports, examining the ongoing operational security costs at these airports. Whyalla Airport has been selected as one of the case study airports and your assistance in providing information to inform discussion around airport security would be greatly appreciated.

I regret that I was unable to reach you at Whyalla Airport late last week by phone to explain this matter personally, hence this email.

Our case studies have a particular focus on the impact that the new passenger screening requirements and airport categories will have on the cost of screening. The case studies will be provided to the Senate Rural and Regional Affairs and Transport References Committee.
The Department of Home Affairs has provided some guidance to us on equipment that will likely be required at your airport for the enhanced screening requirements. Home Affairs has also provided some other approximations around screening staff and we are seeking further insight from the estimates that you provide. My deep apologies, but we are working with some incredibly tight time frames created by Federal Senate Estimates requirements later this month.

It would be greatly appreciated if you could provide responses by **COB Wednesday 9 October**. I understand there may be limitations on how much information or detail you’re able to provide in this timeframe.

Could you please provide the following information:

1. Estimates of security screening costs under the new arrangements in the following categories:
   a. Annual equipment maintenance. If you are able to include an estimate in terms of a proportion of purchase cost, it would be much appreciated. (for example, average annual maintenance cost is in the vicinity of 15% of equipment purchase price)
   b. Screening personnel costs. Note that this is all the personnel required to provide the screening service, so it’s not limited to just those directly processing passengers and baggage. It would be very helpful if you are able to present in the following format:
      i. Average number of staff required to operate the screening at any one time.
      ii. Average cost of a screening staff member per hour.
      iii. Average number of hours that screening is required to run each day.

2. Are you able to provide an indication of what proportion of the cost of passenger screening you may look to pass on to airlines?

3. Based on the cost estimates above, what proportion of annual airport operating expenditure do you expect will be spent on operation of your passenger and checked baggage screening under the new arrangements?

4. Do you expect there will be any significant terminal works required to accommodate the new screening requirements?

Thank you for contributing to these case studies. I will seek to contact you by phone tomorrow (Tuesday 8 Oct) to discuss further and to answer any queries you may have.

Kind regards

Director | International-Regional
Aviation and Airports Division
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@infrastructure.gov.au | w www.infrastructure.gov.au

---------------------------------------------

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OFFICIAL
Passenger security screening enhancements – case studies on financial impacts at six regional airports

November 2019
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Communications Branch
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Australia

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Website: www.infrastructure.gov.au
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Chapter 1: Introduction

1.1  Regional Aviation

Regional aviation plays a key role in economic and social connectivity for regional Australia. Aviation supports regional communities by providing essential access to health care, education, legal and financial services.

It is vital in supporting economic growth in these communities by connecting regionally-based businesses to domestic and international markets, and has been a key enabler of growth in mining, agriculture and tourism in many of Australia’s regions.

The House of Representatives Standing Committee on Infrastructure, Transport and Cities noted in its inquiry into the role of transport connectivity on stimulating development and economic activity (2016) that transport connectivity is integral to the liveability, economic opportunities and competitiveness of a region. It underpins the role of regional cities and towns as service access hubs and nodes in the national transport network; raising competition in markets to both stimulate and shift economic activity.

The Senate Standing Committee on Rural and Regional Affairs and Transport examined the challenges faced by regional airports and aviation service providers in its report on the operation, regulation and funding of air route service delivery to rural, regional and remote communities. The key issues considered included: the remoteness of rural and regional communities, and the importance of access to key infrastructure and support services; a deregulated and privatised aviation sector, and the effect on participation of airlines in regional markets; the challenges of funding regional airports; and the challenges to economic viability for airlines operating in remote areas, due to economies of scale and market forces.

1.2  Aviation Security

The Australian Government is committed to strengthening Australia’s comprehensive and strong aviation security system to ensure safe and secure air travel. The evolving nature of terrorism continues to test and shape Australia’s aviation security standards and regulatory settings. The disrupted terrorist plot at Sydney Airport in July 2017 highlighted the innovation and determination of individuals seeking to inflict harm on the travelling public. It also reinforced that aviation remains a high profile and ongoing target for terrorists.

Through the Department of Home Affairs (Home Affairs), the Government continues to review security settings in the context of evolving threats and, if required, adjusts security settings accordingly. In 2018, to keep ahead of the evolving threat environment, the Government announced that major and regional airports will upgrade their security screening technology.

Once implemented, Home Affairs estimates that 99 per cent, or 80.5 million departing passengers, will depart from an airport which undertakes security screening with X-ray advanced technology and body scanners.

Home Affairs applies security settings in the aviation sector based on its assessment of the level of security risk at each airport, and the aircraft it hosts. Home Affairs works to ensure that security requirements are commensurate with risk, particularly in regional areas, where security costs are generally higher. Based on the evolving threat, Home Affairs is amending the security screening
threshold from aircraft over 20,000 kg maximum take-off weight (MTOW) to aircraft with seating capacity of 40 or more and which operate from an airport with more than 30,000 annual departing passengers.

One result of a screening threshold based on aircraft size (weight or seating capacity), is that airports may have some flights which require screening and some flights which do not require screening. Airports must implement security screening in accordance with regulatory requirements. An airport may choose to implement security arrangements beyond the regulatory requirement, such as screening all passengers, even when not required by the regulator. Business decisions like this are a matter for the airport.

The challenge is to maintain the integrity of the entire aviation security network while recognising the differences in risk across international and major domestic aviation operations in comparison to regional and remote aviation. Maintaining a risk based, proportionate security framework is critical to ensuring public confidence in aviation and to support a viable and sustainable regional aviation industry.

It has been a longstanding policy of successive governments that industry is responsible for the cost of security, including operating costs. The majority of regional airports required to upgrade screening equipment already conduct security screening and are responsible for managing the associated costs.

The Australian Government has committed $50.1m through the Regional Airport Security Screening Fund to support the purchase of new screening equipment at eligible regional airports.

1.3 Case Studies

The case studies presented in this paper examine the costs of security screening in a representative range of regional airports. This examination has been brought about by the Aviation, Air Cargo and International Mail Security Package announced as part of the 2018-19 Budget which includes changes to strengthen passenger screening requirements at a number of regional airports. The focus is on providing an estimate of the cost of passenger screening at regional airports that is as transparent as possible, noting the need to restrict the release of sensitive information regarding aviation security arrangements.

This paper summarises potential costs and provides further context for the operation of case study airports, but does not presuppose the decisions airport owners may make about managing or recovering costs of security screening. The costings presented are based on providing the mandated level of passenger and baggage screening.

The effect of changing passenger screening costs on airfares depends on commercial decisions made by aviation businesses. Regional airport operators, usually local government, make decisions about whether and how their operating costs are passed on to airport customers. Direct customers can include airlines, retailers, passengers and other air operators. Airlines determine ticket prices on the basis of a broad range of factors, including passenger screening costs passed on by airports. Some screening cost estimates in the paper are represented on a per passenger basis, but this does not equate to a change in airfare prices.
Airports were selected to cover a range of regional airport locations, community compositions, flight departure profiles and passenger volumes and existing screening requirements. The selected airports are Rockhampton QLD, Wagga Wagga NSW, Geraldton WA, Whyalla SA, Kingscote SA and Longreach QLD.

1.4 Stakeholders

In preparing the case studies, the Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) engaged with key stakeholders, including the case study airports and relevant airlines, to ensure the projected changes to the ongoing costs of security screening are robust.

While stakeholders have been closely involved in preparing the report, they do not necessarily endorse its contents.

Information and estimates to inform the security screening costings were gathered from both the Department of Home Affairs and the six case study airport operators. Data on regional aviation and communities was gathered from the Bureau of Infrastructure, Transport and Regional Economics (BITRE), the Australian Bureau of Statistics (ABS), the Australian Trade and Investment Commission (Austrade) and local government reports.
s. 47C(1)
Chapter 2: Case Studies

2.1 Whyalla

2.1.1 Regional profile

Whyalla is located 385 kilometres northwest of Adelaide on the Upper Spencer Gulf. The local economy is focused around the Whyalla steelworks, production of oil, LPG and salt, as well as shipping of steel products and ore. The town’s industrial history and nearby marine environments have also created opportunities for tourism.

Community

- Council land area: 1,072 square kilometres\(^3\)
- Population 2018: 21,766\(^3\)
- Average population growth 2013-2018: -0.8\(^%\)\(^3\)
- Council revenue 2018: $31.1 million\(^4\)
- Council expenditure 2018: $29.9 million\(^4\)

Economy

- Number of businesses 2018: 674\(^3\)
- Unemployment rate 2016: 12.4\(^%\)\(^3\)
- Annual tourist visits 2018 (all transport modes): 147,000\(^5\)
- Annual tourist expenditure 2018: $68 million\(^5\)

Aviation

- Airport operator: Whyalla City Council
- Annual outbound RPT passengers 2018: 38,437\(^6\)
- Annual outbound RPT flights 2018: 1,841\(^6\)
- Flight destinations: Adelaide
- Airlines: Qantas Airways, Regional Express Airlines
- Aircraft types commonly serving airport: Saab 340, Dash 8 300
- BITRE airfare spot check July 2018:\(^4\)
  - Whyalla to Adelaide $143 & $149 (231 kilometres)
  - Security screening does not currently take place at Whyalla Airport

---

\(^6\) BITRE conducted spot checks of all city pair airfares on 5 July 2018. The cheapest outbound airfare on 9 August 2018 was collected for each outbound Whyalla route.
Figure 2: Top 10 Industries by Employment - Whyalla

- Mining
- Manufacturing
- Construction
- Retail trade
- Accommodation and food services
- Transport, postal and warehousing
- Administrative and support services
- Public administration and safety
- Education and training
- Health care and social assistance

Proportion of Employed Persons (%)

Figure 3: Aviation trends - Whyalla Airport
2.1.2 Security screening

In September 2019, there were 44 outbound flights scheduled each week from Whyalla Airport. Of these, no flights were over the current 20,000 kg MTOW screening threshold and Whyalla Airport is not currently required to conduct screening. However, 16 of these flights are over the proposed 40 seat screening threshold, so Whyalla will be required to implement passenger and check baggage screening for the first time.

Operating costs for the new security settings represented in Section 2.1.2.1 have been estimated on the basis of advice provided by Whyalla Airport.

Whyalla Airport has advised that Whyalla Council will oversee the provision of aviation security screening and this is expected to be delivered by a contracted provider.

2.1.2.1 Proposed security arrangements

The Australian Government has committed $50.1m through the Regional Airport Security Screening Fund to support the purchase of new screening equipment at eligible regional airports and on this basis the capital costs associated with equipment purchase have not been considered. Whyalla is the only airport represented in these case studies which will be required to implement security screening for the first time. Whyalla Airport has indicated it will conduct substantial terminal works to accommodate the new screening equipment and update the terminal at an estimated cost of.

Like Whyalla will serve a mix of aircraft where only some of the aircraft are required to be screened. The case presented here only examines the new security requirements for passenger and baggage screening mandated under the new regulatory requirements.

Table 2.1 Estimated annual cost of screening under the new arrangements for Whyalla - only flights with more than 40 seat capacity are screened

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<tr>
<th>Maintenance of equipment</th>
<th>Number of staff to conduct screening</th>
<th>Daily hours of operation</th>
<th>Staff cost per hour</th>
<th>Total security operating cost</th>
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On an outbound passenger basis, this equates to a cost per screened passenger of based on Whyalla Airport only screening passengers required to be screened by the regulations. Data on airline passenger numbers is commercially sensitive, so this assumes all flights have the same load factor (i.e. how full a plane is) to estimate the number of screened passengers at about 17,500 per year.

* Maintenance costs are projected figures provided by Whyalla Airport
* Number of required staff at any one time has been advised by Whyalla Airport
* Average daily hours of operation has been estimated based on daily flight and screening timing variances, per seven days, as advised by Whyalla Airport
* Hourly personnel costs for screening staff have been averaged based on daily flight schedule across seven days and associated hourly cost schedule information advised by Whyalla Airport
* Total security operating cost estimate has been provided by Whyalla Airport.
2.1.2.2 Summary

The commencement of security screening at Whyalla Airport is expected to create significant new and ongoing security operating costs for the airport, estimated at $47G per annum.

The estimated additional $47G per screened passenger, if passed on in full by the airport and, subsequently, passed on in full by the relevant airline may represent a $47G increase in ticket price (see footnote a in Section 2.1.1).
Chapter 3: Summary

The proposed changes to the aircraft screening threshold and airport categorisation will require a few airports to conduct screening for the first time. Whyalla Airport is the only case study airport where this applies, and the case study estimates presented here describe the significant additional ongoing operating costs for these airports to provide the security services. This can be expected to result in considerable additional pass-on costs from the airport to airline clients. How this pass-on may ultimately impact ticket prices is a business decision for the airlines in consultation with the respective airport.

The airport categorisation changes will remove the requirement for some lower passenger volume airports to conduct screening, including the removal of mandatory screening gives these airports greater flexibility in business planning, including the option to remove security screening costs passed-on to airlines entirely and, potentially, for airlines to deliver ticket price savings to passengers.

These case studies illustrate that the cost of operating passenger and baggage screening at regional airports varies considerably with passenger volumes and flight schedules. The cost of personnel to conduct screening tends to be the largest contributor to screening costs and is closely linked to departure schedules. Flights scheduled evenly across a day require screening to be operated for a longer period, leading to a corresponding increase in expenditure on screening staffing costs.

Airports with higher passenger volumes have greater flexibility in accommodating security screening costs. The amount of screening equipment at regional airports tends to be similar as the low passenger volumes mean equipment is operated below the capacity of a single screening unit. When comparing airports like Whyalla, the equipment costs are similar but the much smaller passenger base at Whyalla results in a significantly higher screening cost per passenger. Some stakeholders raised concerns that the funding available for security equipment upgrades under the Regional Airport Security Screening Fund would not be sufficient at all airports.

As the Productivity Commission notes in its draft report on Economic Regulation of Airports, many regional airports do not have sufficient demand to cover the costs of running the airport, which means the efficient charge for aeronautical services is more than passengers are prepared to pay. Airports and councils in this situation may not pass on the full cost of providing airport services, including passenger screening, to airlines and passengers.

The case study estimates provide an indication of the financial impact of screening changes, but any change to airfares will be dependent on business decisions made by councils, airports and airlines.

Chapter 3 of the report on the operation, regulation and funding of air route service delivery to rural, regional and remote communities examines the social and economic importance of regional aviation services, including the effects of high airfares.
Reference List

1 House of Representatives Standing Committee on Infrastructure, Transport and Cities, 2016, *Harnessing Value, Delivering Infrastructure: Inquiry into the role of transport connectivity on stimulating development and economic activity*

2 Senate Standing Committee on Rural and Regional Affairs and Transport, 2019, *Operation, regulation and funding of air route service delivery to rural, regional and remote communities*


5 Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Whyalla (C), South Australia*

6 Productivity Commission, 2019, *Economic Regulation of Airports (draft report)*
Aviation Security case studies project plan

1. Department to provide airlines and airports two weeks to provide feedback on case studies
   - Airlines to be consulted on their understanding of the current costs and the expected changes on cost for the airport/s they utilise.
     - Qantas – to be asked about Rockhampton, Wagga Wagga, Geraldton, Whyalla, Kingscote and Longreach
     - Virgin – to be asked about Rockhampton
     - REX (contact to be provided by Home Affairs) – to be asked about Wagga Wagga, Whyalla, Kingscote and Longreach
   - Airports provided relevant extracts of draft text for comment and views
     - Current timeline allows for phone hook up to be scheduled between Department and airlines to further discuss any issues (week of 4 November)

2. Department to reconcile views and follow up with airlines and airports on any final details week of 11 November
   - May need to review some numbers depending on what airports provide (noting current gaps in data)

3. Two weeks to prepare briefing and clear internally
   - Summary of case studies as well as the final case study document

4. To provide clear through office and prepare and provide defensive points to Office
   - Q&As, QTB and possible media release

5. Department officials to conduct briefing week of 25 November

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</tbody>
</table>

Department to provide briefing to Senators
From: s.47F@whyalla.sa.gov.au
Sent: Wednesday, 9 October 2019 11:16 AM
To: s.47F
Cc:
Subject: FW: IE78334 - 3-32 - For Urgent Attention of Whyalla Airport Manager - aviation security [SEC=UNCLASSIFIED]

Hi s.47F

Information as requested, any further information please contact me,
1. Estimates of screening costs:

Regards
s.47F
Manager - Airport Operations
The information transmitted in this message and its attachments (if any) is intended only for the person or entity to which it is addressed. The message may contain confidential and/or privileged material. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon this information, by persons or entities other than the intended recipient is prohibited. If you have received this in error, please contact the sender and delete this e-mail and associated material from any computer. The intended recipient of this e-mail may only use, reproduce, disclose or distribute the information contained in this e-mail and any attached files, with the permission of the sender.

From: [Infrastructure.gov.au]
Sent: Monday, 7 October 2019 10:33 PM
To: Customer Service <customer.service@whyalla.sa.gov.au>
Subject: IE78334 - 3-32 - For Urgent Attention of Whyalla Airport Manager - aviation security [SEC=UNCLASSIFIED]

FOR URGENT ATTENTION OF THE WHYALLA AIRPORT MANAGER

Dear Sir/Madam,

The Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) is conducting case studies of six regional airports, examining the ongoing operational security costs at these airports. Whyalla Airport has been selected as one of the case study airports and your assistance in providing information to inform discussion around airport security would be greatly appreciated.

I regret that I was unable to reach you at Whyalla Airport late last week by phone to explain this matter personally, hence this email.

Our case studies have a particular focus on the impact that the new passenger screening requirements and airport categories will have on the cost of screening. The case studies will be provided to the Senate Rural and Regional Affairs and Transport References Committee.

The Department of Home Affairs has provided some guidance to us on equipment that will likely be required at your airport for the enhanced screening requirements. Home Affairs has also provided some other approximations around screening staff and we are seeking further insight from the estimates that you provide.

My deep apologies, but we are working with some incredibly tight time frames created by Federal Senate Estimates requirements later this month.

It would be greatly appreciated if you could provide responses by COB Wednesday 9 October. I understand there may be limitations on how much information or detail you’re able to provide in this timeframe.

Could you please provide the following information:

1. Estimates of security screening costs under the new arrangements in the following categories:
   a. Annual equipment maintenance. If you are able to include an estimate in terms of a proportion of purchase cost, it would be much appreciated. (for example, average annual maintenance cost is in the vicinity of 15% of equipment purchase price)
b. Screening personnel costs. Note that this is all the personnel required to provide the screening service, so it’s not limited to just those directly processing passengers and baggage. It would be very helpful if you are able to present in the following format:
   i. Average number of staff required to operate the screening at any one time.
   ii. Average cost of a screening staff member per hour.
   iii. Average number of hours that screening is required to run each day.
2. Are you able to provide an indication of what proportion of the cost of passenger screening you may look to pass on to airlines?
3. Based on the cost estimates above, what proportion of annual airport operating expenditure do you expect will be spent on operation of your passenger and checked baggage screening under the new arrangements?
4. Do you expect there will be any significant terminal works required to accommodate the new screening requirements?

Thank you for contributing to these case studies. I will seek to contact you by phone tomorrow (Tuesday 8 Oct) to discuss further and to answer any queries you may have.

Kind regards

Director | International-Regional
Aviation and Airports Division
Department of Infrastructure, Transport, Cities and Regional Development
GPO Box 594, Canberra ACT 2601

@infrastructure.gov.au | www.infrastructure.gov.au

----------------------------------------------------------------------------------------------------------------------------------------

Disclaimer

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Red text is editable - black text is calculated within the spreadsheet and changing it is not recommended

Items highlighted orange are directly referenced in the report text (see table to right for copy/paste table data)

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<th>s. 22(1)(b)</th>
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<td><strong>Annual RPT passengers outbound 2018</strong></td>
<td>38,437</td>
</tr>
<tr>
<td><strong>Annual revenue estimate from screening charge (ex GST)</strong></td>
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### Maintenance of equipment

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<th>Staff cost per hour</th>
<th>Total annual operating cost (rounded)</th>
<th>Cost per screened passenger</th>
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<tbody>
<tr>
<td>Old</td>
<td></td>
<td></td>
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</tr>
<tr>
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### Staffing

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<tr>
<td>Old</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>New</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Cost comparisons

**Mandatory screened old vs new total**

$1,219,000

**Mandatory screened old vs new per pax**

$69.5

**Mandatory screened old vs new % increase**

49%

**All pax screened old vs new total**

$2,073,000

**All pax screened old vs new per pax**

$53.9

**All pax screened old vs new % increase**

38%

### Calculation and thinking on airfare comparisons - very difficult to draw conclusions

**Airfares for reference (BITRE 2018)**

- Whyalla to Adelaide - 1st flight $143 & 2nd flight $149 (231 kilometres)

**Security cost proportion of airfare**

- Old mandatory
- New mandatory

**New all**

- 50%
Passenger security screening enhancements – case studies on financial impacts at regional airports

October 2019
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Chapter 1: Introduction

1.1 Regional Aviation

Regional aviation plays a key role in economic and social connectivity for regional Australia. Aviation supports regional communities by providing essential access to health care, education, legal and financial services.

It is vital in supporting economic growth in these communities by connecting regionally-based businesses to domestic and international markets, and has been a key enabler of growth in mining, agriculture and tourism in many of Australia's regions.

The House of Representatives Standing Committee on Infrastructure, Transport and Cities noted in its inquiry into the role of transport connectivity on stimulating development and economic activity (2016) that transport connectivity is integral to the liveability, economic opportunities and competitiveness of a region. It underpins the role of regional cities and towns as service access hubs and nodes in the national transport network; raising competition in markets to both stimulate and shift economic activity.

The Senate Standing Committee on Rural and Regional Affairs and Transport examined the challenges faced by regional airports and aviation service providers in its report on the operation, regulation and funding of air route service delivery to rural, regional and remote communities. The key issues considered included: the remoteness of rural and regional communities, and the importance of access to key infrastructure and support services; a deregulated and privatised aviation sector, and the effect on participation of airlines in regional markets; the challenges of funding regional airports; and the challenges to economic viability for airlines operating in remote areas, due to economies of scale and market forces.

1.2 Aviation Security

The Government is committed to strengthening Australia’s comprehensive and robust aviation security system to ensure safe and secure air travel. The evolving nature of terrorism continues to test and shape Australia’s aviation security standards and regulatory settings. The disrupted terrorist plot at Sydney Airport in July 2017 highlights the innovation and determination of individuals seeking to inflict harm on the travelling public. It also reinforced that aviation remains a high profile target for terrorists.

Through the Department of Home Affairs (Home Affairs), the Government continues to review security settings in the context of evolving threats and, if required, adjusts security settings accordingly. In 2018, to keep ahead of the evolving threat environment, the Government announced major and regional airports will upgrade their security screening technology.

Once implemented, Home Affairs estimates that 99 per cent, or 80.5 million departing passengers, will depart from an airport which undertakes security screening with advanced technology and body scanners.

Home Affairs applies security settings in the aviation sector based on its best judgements about the level of security risk to each airport, and the aircraft it hosts. Home Affairs looks to ensure that security requirements are commensurate with risk, particularly in regional areas, where security costs are generally higher. The risk assessments undertaken by Home Affairs have determined
that security screening requirements will be set on the basis of aircraft size and the number of annual outbound passengers at regional airports. The aircraft size threshold will be changed from aircraft over 20,000 kg Maximum Take Off Weight (MTOW) to aircraft with nominal passenger capacity greater than 40 seats.

One result of a screening threshold based on aircraft size, is that airports may have some flights which require screening and some flights which do not require screening. Airports implement screening as they see fit, provided screening meets the regulatory requirements. An airport may choose to implement security arrangements beyond the regulatory requirement, such as screening all passengers, even when not required by the regulator. Business decisions like this are a matter for the airport and its customers.

The challenge is to maintain the security of the entire network while recognising the differences in threat across international and major domestic aviation operations in comparison to regional and remote airports. Maintaining a risk based, proportionate security framework at regional airports is critical to ensuring public confidence in aviation and to support a viable regional aviation industry.

It has been a longstanding policy of successive governments that industry is responsible for the cost of security, including operating costs. The majority of regional airports required to upgrade screening equipment already conduct security screening and are responsible for managing the associated costs.

1.3 Case Studies

The case studies presented in this paper examine the ongoing costs of security screening in a representative range of regional airports. This examination has been brought about by the Aviation, Air Cargo and International Mail Security Package announced as part of the 2018-19 Budget which includes changes to passenger screening requirements at many regional airports. The focus is on providing an estimate of the cost of passenger screening at regional airports that is as transparent as possible, noting the need to restrict the spread of sensitive information regarding aviation security arrangements.

This paper summarises potential costs and provides further context for the operation of case study airports, but does not presuppose the decisions airport owners will make about managing or recovering costs of security screening. The costings presented are based on providing the mandated level of passenger and baggage screening, with an additional estimate for the case where all passengers departing an airport are screened, regardless of whether their aircraft is over the size threshold.

The effect of changing passenger screening costs on airfares depends on commercial decisions made by aviation businesses. Regional airport operators, usually local government, make decisions about whether and how their operating costs are passed on to airport customers. Direct customers can include airlines, retailers, passengers and other air operators. Airlines determine ticket prices on the basis of a broad range of factors, including passenger screening costs passed on by airports. Some screening cost estimates in the paper are represented on a per passenger basis, but this does not equate to a change in airfare prices.

Airports were selected to cover a range of regional airport locations, community compositions, flight departure profiles and passenger volumes. The selected airports were Rockhampton QLD, Wagga Wagga NSW, Geraldton WA, Whyalla SA, Kingscote SA and Longreach QLD.
1.4 Stakeholders

In preparing the case studies, the Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure) engaged with key stakeholders to ensure the estimated changes to the ongoing costs of security screening are robust.

Information and estimates to inform the security screening costings were gathered from Home Affairs and the six case study airport operators. Data on regional aviation and communities were gathered from the Bureau of Infrastructure, Transport and Regional Economics (BITRE), the Australian Bureau of Statistics (ABS), the Australian Trade and Investment Commission (Austrade) and local government reports.

1.5 Methodology

The key determinants of operating costs for passenger screening are equipment maintenance costs, hours of operation for screening, number of personnel required to conduct screening and cost of personnel.

For the purpose of this paper, average daily hours of operation and number of screening personnel were estimated on the basis of outbound flight schedules at each airport in September 2019, combined with annual outbound passenger numbers. Flight schedules are subject to change and can have a significant impact on the cost of providing screening.

Schedules and passenger numbers take Regular Public Transport (RPT) flights into account, but do not include charter flights. Advice from BITRE indicates there are very few charter flights on these routes that require screening.

Estimates of the equipment requirements, maintenance costs and number of screening personnel have been provided by Home Affairs for each airport.
2.4 Whyalla

2.4.1 Regional profile

Whyalla is located 385 kilometres northwest of Adelaide on the Upper Spencer Gulf. The local economy is focused around the Whyalla steelworks, production of oil, LPG and salt, as well as shipping of steel products and ore. The town’s industrial history and nearby marine environments have also created opportunities for tourism.

Community

- Council land area: 1,072 square kilometres
- Population 2018: 21,766
- Average population growth 2013-2018: -0.8% 
- Council revenue 2018: $31.1 million
- Council expenditure 2018: $29.9 million

Economy

- Number of businesses 2018: 674
- Unemployment rate 2016: 12.4%
- Annual tourist visits 2018 (all transport modes): 147,000
- Annual tourist expenditure 2018: $68 million

Aviation

- Airport operator: Whyalla City Council
- Annual outbound RPT passengers 2018: 38,437
- Annual outbound RPT flights 2018: 1,841
- Flight destinations: Adelaide
- Airlines: Qantas Airways, Regional Express Airlines
- Aircraft types commonly serving airport: Saab 340, Dash 8 300
- BITRE airfare spot check July 2018: $143 & $149

---

* BITRE conducted spot checks of all city pair airfares on 5 July 2018. The cheapest outbound airfare on 9 August 2018 was collected for each outbound Whyalla route.
Figure 11: Top 10 Industries by Employment - Whyalla

- Mining
- Manufacturing
- Construction
- Retail trade
- Accommodation and food services
- Transport, postal and warehousing
- Administrative and support services
- Public administration and safety
- Education and training
- Health care and social assistance

Proportion of Employed Persons (%)

0 2 4 6 8 10 12 14 16 18

Figure 12: Aviation trends - Whyalla Airport

Annual Passengers

0 10,000 20,000 30,000 40,000 50,000 60,000 70,000 80,000

2.4.2 Security screening

Security screening at Whyalla Airport is provided by XX. Whyalla City Council has indicated that XX% of expenditure related to the airport is spent on passenger and baggage screening.

In September 2019, there were 44 outbound flights scheduled each week, of which no flights were over the 20,000 kg MTOW screening threshold and 16 flights were over the 40 seat screening threshold.

Whyalla Airport is not currently required to conduct screening, due to all flights being under the MTOW threshold. Due to the change to the aircraft size threshold, Whyalla will be required to implement passenger and check baggage screening for the first time.

Operating costs for the new security settings represented in Section 2.4.2.1 have been estimated on the basis of advice from Home Affairs, in consultation with Whyalla City Council.

2.4.2.1 Enhanced security arrangements

Home Affairs estimates the cost of purchasing new equipment at Whyalla Airport to meet mandatory passenger and checked baggage screening to be $970,000. The Australian Government has committed $50.1m through Regional Airport Security Screening Fund to support the purchase of new screening equipment at regional airports. Funding may also be available to support modification of terminals to introduce screening at airports like Whyalla, where it is not currently conducted.

Like , Whyalla will serve a mix of aircraft where only some of the aircraft are required to be screened. The two cases presented here for the new security arrangements are: screening and charging of passengers for whom screening is mandated; and screening and charging of all passengers.

<table>
<thead>
<tr>
<th>Maintenance of equipmentf</th>
<th>Number of staff to conduct screeningg</th>
<th>Daily hours of operationh</th>
<th>Staff cost per houri</th>
<th>Total operating cost</th>
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<td>$194,000</td>
<td>9</td>
<td>6</td>
<td>$52</td>
<td>$1,219,000</td>
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On an outbound passenger basis, this is equivalent to $69.50 per screened passenger. Data on airline passenger numbers is commercially sensitive, so this assumes all flights have the same load factor (how full a plane is) to estimate the number of screened passengers at 17,500 per year.

In the estimate below, the expected hours of operation have been expanded in alignment with the flight schedule for Whyalla to account for the additional flights that will be screened if all passengers are screened.

---

f Maintenance costs are based on 20% of the purchase cost of the equipment, which was estimated by Home Affairs. Actual costs will vary depending on location and equipment service agreements.

g Number of required staff estimated by Home Affairs. Actual number of screening staff required will vary depending on airport and operational requirements (passenger throughput and flight schedules).

h Average daily hours of operation estimated on the basis of the 30 September 2019 flight schedules, allowing for a period of 3 hours preparation and screening time around each flight departure.

i Hourly personnel costs for screening staff can vary widely between different locations. In the absence of detailed local labour cost data, an hourly cost of $52 was selected as it is the middle of the security staff cost range at major airports.
Table 2.10  Estimated annual cost of screening under the new arrangements for Whyalla – all passengers are screened

<table>
<thead>
<tr>
<th>Maintenance of equipment</th>
<th>Number of staff to conduct screening</th>
<th>Daily hours of operation</th>
<th>Staff cost per hour</th>
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<td>9</td>
<td>11</td>
<td>$52</td>
<td>$2,073,000</td>
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</tbody>
</table>

On an outbound passenger basis, this is equivalent to $53.90 per passenger.

2.4.2.2  Summary

The first comparison presented here of screening and charging only passengers on flights that are over the screening threshold results in an estimated additional annual operating cost at Whyalla Airport of $1,219,000 per year, which equates to an additional cost of $69.50 per screened passenger.

The second comparison of screening all passengers departing the airport results in an estimated additional annual operating cost at Whyalla Airport of $2,073,000 each year, which equates to an increase per outbound passenger cost of $53.90.

The commencement of security screening at Whyalla Airport is expected to create significant new ongoing operating costs for the airport, which will make business decisions about how costs are managed. These costs will be borne by a mix of airport customers and stakeholders, which may include the Whyalla City Council and ratepayers, airlines and passengers, and other airport customers.

The airport, stakeholders and customers may modify their behaviour and business plans in response to the additional costs. This could include adaptation of flight schedules to minimise security screening operating hours, changes in ticket prices and passenger numbers or modification of routes.

These interlinked business decisions by the airport, airlines, passengers and other stakeholders are based on a multitude of factors which make it difficult to predict possible outcomes.
Chapter 3: Summary

These case studies illustrate that the cost of operating passenger and baggage screening at regional airports varies considerably with passenger volumes and flight schedules. The cost of personnel to conduct screening tends to be the largest contributor to screening costs.

The proposed changes to the aircraft screening threshold and airport categorisation will require some airports to conduct screening that were not previously required to, including Whyalla. This will create significant additional ongoing operating costs for these airports to provide the security services.

Airports with higher passenger volumes often have greater flexibility in accommodating security screening costs. The amount of screening equipment at regional airports tends to be similar as the low passenger volumes mean equipment is operated below the capacity of a single screening unit. When comparing airports like [s.47G] and Whyalla, the equipment costs are similar but the much smaller passenger base at Whyalla results in a higher cost per passenger.

One of the largest determinants of screening costs is the departing flight schedule. Flights spread evenly across a day require screening to be operated for more of the day than flights which depart in close proximity and lead to a corresponding increase in expenditure on screening personnel.

The airport categorisation changes will remove the requirement for some lower passenger volume airports to conduct screening, including [s.47G]. The removal of mandatory screening gives the airports greater flexibility in business planning, including the option to remove or reduce security screening costs.

The case study estimates provide an indication of the financial impact of screening changes, but any change to airfares will be dependent on business decisions made by councils, airports and airlines.

Chapter 3 of the report on the operation, regulation and funding of air route service delivery to rural, regional and remote communities examines the social and economic importance of regional aviation services, including the effects of high airfares.²
Reference List


2. Senate Standing Committee on Rural and Regional Affairs and Transport, 2019, *Operation, regulation and funding of air route service delivery to rural, regional and remote communities*


12. Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Greater Geraldton (C), Western Australia*


15. Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Whyalla (C), South Australia*


18. Australian Trade and Investment Commission, 2019, *Local Government Area Profiles 2018, Kangaroo Island (DC), South Australia*


### Community
- LGA land area: 1,072
- Population 2018: 21,766
- Average population growth 2013-2018: -0.8%
- Council revenue 2018
- Council expenditure 2018

### Economy
- Top industries 2016: Manufacturing
- Number of businesses 2018: 674
- Unemployment rate 2016: 12.4%
- Annual tourist visits 2018: 147,000
- Annual tourist expenditure 2018: 68,000,000

### Aviation
- Airport operator: Whyalla City Council
- Security provided by: 0
- Annual outbound RPT passengers 2018: 38,437
- Annual outbound RPT flights 2018: 1,841
- Flight destinations: Adelaide

### Security Costs
- Estimate of cost to provide current mandated passenger screening: -
- Estimate of cost to provide mandated passenger screening under the new arrangements: $1,902,000
- Estimated change in operating costs for mandated passenger screening: $1,902,000
<table>
<thead>
<tr>
<th>Airport</th>
<th>Annual operating cost difference</th>
<th>Annual RPT passengers</th>
<th>Annual revenue estimate from screening charge (ex GST)</th>
<th>Equipment Capital cost (only required new equipment)</th>
<th>Annual maintenance</th>
<th>Staff required to operate</th>
<th>Daily hours of operation</th>
<th>Staff cost per hour</th>
<th>Annual staffing cost</th>
<th>Total annual operating cost (rounded)</th>
<th>Annual operating cost difference</th>
<th>% increase new vs old</th>
<th>Staff proportion old</th>
<th>Staff proportion new</th>
<th>Portion of flights screened old</th>
<th>Portion of flights screened new</th>
<th>Per outgoing pax old</th>
<th>Per outgoing pax new</th>
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<td>-$</td>
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## Flight Schedule - 12 September 2019

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<th>Unscreened Flights per Week</th>
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<tr>
<td>Whyalla</td>
<td>16</td>
<td>44</td>
<td>81900</td>
</tr>
</tbody>
</table>

### Seats per Flight

- **Saab 340**: 34 seats
- **Bombardier Dash 8 300**: 50 seats
- **Bombardier Dash 8 400**: 74 seats
- **Fokker 100**: 105 seats
- **Boeing 737-800**: 174 seats

### Screened Flights
- Screened flight 4-7 times each week
- Screened flight 1-3 times each week

### Unscreened Flights
- Unscreened flight 4-7 times each week
- Unscreened flight 1-3 times each week

Note: unscreened flights not shown if there is a screened flight in that timeslot.
<table>
<thead>
<tr>
<th>New Capital</th>
<th>Maintenance delta</th>
<th>Staff hours/day (very rough)</th>
<th>Delta (excl. capex)</th>
<th>Files to Notes</th>
<th>2018 Annual Outbound PAX</th>
<th>Operator</th>
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<td>MVX checked, MVX baggage, BDS, ETD*, WTMD</td>
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<td>$194,000</td>
<td>$1,024,920</td>
<td>$1,218,920</td>
<td>38,437</td>
</tr>
</tbody>
</table>

**Whyalla council financial statements outline budget ~$31m 2018 revenue**

---

**Staffing (assumptions need refining on a per location basis):**

- **$52 per hour**
- **365 days per year**
  
  how many hours per day?

---

**Rockhampton:**

<table>
<thead>
<tr>
<th>Security Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>45. CTS Infrastructure</td>
</tr>
<tr>
<td>46. All other security activities</td>
</tr>
<tr>
<td>47. Passenger and Checked Bag Screening</td>
</tr>
</tbody>
</table>
Based on current Airport Category

<table>
<thead>
<tr>
<th>Airport</th>
<th>Airport Category</th>
<th>Currently required to screen passengers and baggage using:</th>
<th>Checked baggage screening X-ray</th>
<th>Cabin baggage screening X-ray</th>
<th>Explosive Trace Detection</th>
<th>Walk-through metal detection</th>
<th>Est Equip maintenance/service cost per annum (1)</th>
<th>Est No. of screening staff (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whyalla</td>
<td>6</td>
<td>Currently not required to conduct security screening</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
</tr>
</tbody>
</table>

Based on proposed Airport Tier

<table>
<thead>
<tr>
<th>Airport</th>
<th>Proposed Airport Tier</th>
<th>Will be required to screen passengers and baggage using:</th>
<th>Checked baggage screening X-ray</th>
<th>Cabin baggage screening X-ray</th>
<th>Explosive Trace Detection</th>
<th>Body scanner</th>
<th>Walk-through metal detection</th>
<th>Est Equip maintenance/service cost per annum (1)</th>
<th>Est No. of screening staff (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whyalla</td>
<td>2</td>
<td>BDS (50%), WTMD, ETD and MVX (EDS) X-ray</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>$194,000</td>
<td>8 - 10</td>
</tr>
</tbody>
</table>

(1) Actual costs will vary depending on location and equipment service/maintenance agreements. This figure is based on 20% of the purchase cost of the equipment.
(2) Actual number of screening staff required will vary depending on airport and operational requirements (passenger throughout and flight schedules)